Australian Bureau of Statistics

6524.0.55.002 - Estimates of Personal Income for Small Areas, Time Series, 2003-04 to 2006-07

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INTRODUCTION

This article presents selected data on estimates of personal income for the years 2003-04 to 2006-07, at a range of geographic levels. From 2003-04 to 2006-07 significant economic growth occurred in Australia, with personal income growing at an average annual rate of 8.2%.

Analysing change in sources of personal income over time can provide valuable insight into the nature of regional economies and aspects of the economic wellbeing of the people who live there. These data can be used to explore questions such as: whether regional incomes have grown at similar or different rates; whether high income areas also experience high growth in incomes; or if there are low income-high growth regions that are 'catching up' to high income regions. Even though income from all sources grew from 2003-04 to 2006-07, each income source grew at a different rate. Of the three largest income sources, income from Investments grew at the fastest rate. Every state and territory experienced strong growth in Investment income with the strongest growth occurring in Queensland. Income from Own unincorporated business (OUB) grew at the slowest rate, with significant variation in growth rates between capital cities and their respective balance of states/territories, including declines in parts of Australia, most noticeably in most of South Australia.

This article begins with an overview of the sources of personal income for Australia, highlighting some of these variations in growth rates. It then analyses regional growth and

decline in sources of income and explores OUB income as a particular case of regional variation. While these data provide insights into the income in regional economies, wealth is also important to economic wellbeing, since some people on low incomes may have wealth to draw on such as property and business assets (Australian Social Trends, 2006, cat. no. 4102.0). Conversely, some people on high incomes may also have high levels of debt. This article has a focus on income data, but income alone does not necessarily always equate with overall economic wellbeing.

Further analysis of regional incomes, including other sources of income (Wages and salary, Investments and Superannuation and annuities) can be undertaken using the data contained in the spreadsheets attached to this article. For more detailed data on persons earning Wage and salary incomes please refer to Wage and Salary Earner Statistics for Small Areas (cat. no. 5673.0.55.003).

These income estimates have been compiled using aggregated individual income tax data from the Australian Taxation Office (ATO). The Australian Bureau of Statistics (ABS) wishes to acknowledge the invaluable support of the ATO in compiling these statistics. The estimates presented in this article are a break in series from other data released under the Estimates of Personal Income title, for further information please refer to the Explanatory Notes.

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INCOME CHANGE IN AUSTRALIA, 2003-04 TO 2006-07

While total income grew by an average of 8.2% each year from 2003-04 to 2006-07, and each source of income grew, the average annual growth rates for each source of income varied considerably. There was also significant variation at the regional level, which will be explored later in this article.

Table 1. TOTAL INCOME, By source-Australia

Sources	2003-04 $m	2004-05 $m	2005-06 $m	2006-07 $m	Average annual growth rate %
Wage and salary	316,924.6	340,571.0	364,504.9	392,097.1	7.4
Own unincorporated business	29,765.8	30,484.5	31,028.1	33,083.1	3.6
Investment	34,690.1	39,351.5	43,992.5	53,485.6	15.5
Superannuation and annuities	11,002.1	12,514.5	14,500.7	16,577.1	14.6
Other	3,106.0	3,630.5	4,273.6	5,057.5	17.6
Total income	**395,488.7**	**426,551.9**	**458,299.9**	**500,300.5**	**8.2**

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Of the three largest sources, income from Investments had the largest average annual growth rate (15.5%). Wages and salaries (the largest income source) grew at a slower rate (7.4%), but grew at a similar rate as the economy during this period.

From 2003-04 to 2006-07 Australia experienced significant economic prosperity. Gross Domestic Product (GDP) in original, current price terms, had an average annual growth rate of 7.5% (Australian National Accounts: National Income, Expenditure and Product, Jun 2009, cat. no. 5206.0) and the seasonally adjusted unemployment rate fell from 5.5% in

June 2004 to 4.3% in June 2007 (Labour Force, Australia, Sep 2009, cat. no. 6202.0). Please note that data in this article precedes the Global Financial Crisis which began in 2008.

Although total income from all income sources grew from 2003-04 to 2006-07, the percentage share of each source shifted (Table 2). There was an increase in the percentage share of Investment income and a fall in the percentage share of Wage and salary and OUB income.

There are many factors that may have influenced changing shares of income during this period. Some of these may include:

- An ageing population, which may have caused an increase in the percentage share of Investment and Superannuation and annuity incomes and a decrease in Wage and salary and OUB incomes. As the population ages, people gain access to superannuation funds and may be more likely to draw income from Investments and less likely to earn Wages and salaries and income from OUB.
- The increase in percentage share of income from Investments may be related to an increase in Wages and salaries in previous periods, resulting in more available money to invest towards the end of the period.

Table 2. PROPORTION OF TOTAL INCOME, By source-Australia

Financial year	Wage and salary %	Own unincorporated business %	Investment %	Superannuation and annuities %	Other %	Total income %
2003-04	80.1	7.5	8.8	2.8	0.8	100.0
2004-05	79.8	7.1	9.2	2.9	0.9	100.0
2005-06	79.5	6.8	9.6	3.2	0.9	100.0
2006-07	78.4	6.6	10.7	3.3	1.0	100.0

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INCOME CHANGE FOR CAPITAL CITIES, STATES & TERRITORIES

Changes in source of income growth over time show more variation at regional levels. This section looks at regional variation in total income followed by analysis of average income from each source (Wages and salaries, OUB and Investment).

Total income

Are incomes in capital cities growing faster or slower than incomes in other regions? Table 3 shows the average annual growth rates of each source of income for each state/territory, and each capital city and balance of state/territory.

Generally, growth in total income from all sources did grow faster in capital cities compared to the rest of Australia. The rate of growth in Investment income was strong in every state and territory. The largest average annual growth rate for Investment income occurred in the state of Queensland (19.2%), with the region outside the capital city (Queensland Balance) recording the largest growth (19.3%). Queensland Balance also had the largest average annual growth in Superannuation and annuities (18.3%).

There was significant variation in the average annual growth rate of OUB income. In four states, OUB income fell in areas outside the capital cities, while growing in all capital cities. The largest negative average annual growth rates occurred in the following balance of states, New South Wales (-3.7%), Victoria (-6.3%), South Australia (-12.7%) and Tasmania (-2.0%). The state of South Australia also had a negative growth rate, with an average decline of 0.7% in OUB income each year. This decline is due to the large negative growth in Balance of South Australia.

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Table 3. AVERAGE ANNUAL GROWTH RATES, By source of total income-2003-04 to 2006-07

Region	Wage and salary %	Own unincorporated business %	Investment %	Superannuation and annuities %	Other %	Total income %
Sydney	6.2	4.7	14.3	15.2	19.9	7.2
Balance of New South Wales	6.2	-3.7	13.4	14.8	14.8	6.5
New South Wales	**6.2**	**2.0**	**14.0**	**15.1**	**19.0**	**7.0**
Melbourne	6.4	6.6	14.7	14.9	22.0	7.6
Balance of Victoria	5.7	-6.3	14.4	13.9	13.1	5.9
Victoria	**6.2**	**2.7**	**14.6**	**14.7**	**20.7**	**7.2**
Brisbane	9.5	7.2	19.0	15.9	19.8	10.3
Balance of Queensland	10.1	5.3	19.3	18.3	17.4	10.8
Queensland	**9.8**	**6.1**	**19.2**	**17.1**	**18.6**	**10.5**
Adelaide	6.0	5.8	13.7	11.0	9.6	7.0
Balance of South Australia	6.3	-12.7	15.0	13.2	11.9	4.9
South Australia	**6.1**	**-0.7**	**14.0**	**11.4**	**10.1**	**6.5**
Perth	11.1	11.4	19.1	13.7	13.5	12.0
Balance of Western Australia	10.2	0.9	17.0	17.3	8.8	9.8
Western Australia	**10.9**	**8.2**	**18.6**	**14.4**	**12.8**	**11.4**
Hobart	7.1	2.8	15.6	10.3	12.4	7.7
Balance Tasmania	6.3	-2.0	15.7	12.1	10.6	6.6
Tasmania	**6.7**	**0.1**	**15.6**	**11.0**	**11.5**	**7.1**
Darwin	8.1	11.2	16.2	11.4	15.4	8.6
Balance of Northern Territory	6.0	2.4	17.6	10.7	12.8	6.3
Northern Territory	**7.4**	**9.3**	**16.6**	**11.3**	**14.8**	**7.9**
Canberra	7.2	5.8	13.4	11.7	9.2	7.9
Balance of Australian Capital Territory	6.2	22.2	8.3	8.3	13.9	7.2
Australian Capital Territory	**7.2**	**5.8**	**13.4**	**11.7**	**9.2**	**7.9**
Australian Capital Cities	*7.2*	*6.6*	*15.4*	*14.3*	*18.5*	*8.3*
Balance of Australia	*7.6*	*-1.6*	*15.8*	*15.4*	*14.7*	*7.8*
Australia	**7.4**	**3.6**	**15.5**	**14.6**	**17.6**	**8.2**

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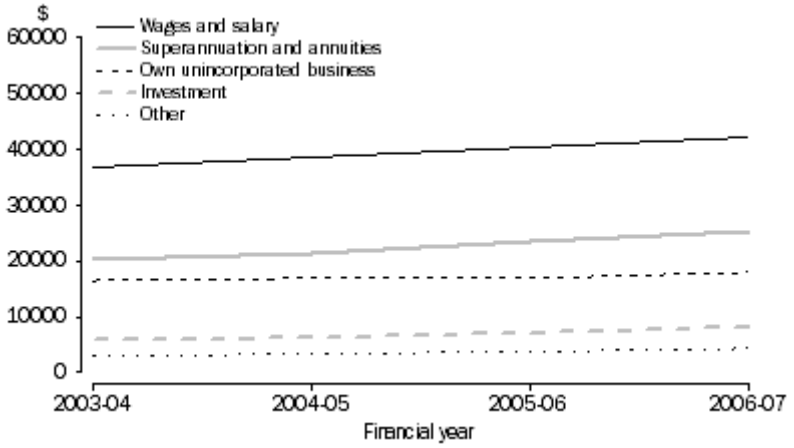
Average income

Graph 1 presents the average income for each personal income source over the four year period. Even though all averages increased during this time, average Investment income had the largest average annual growth (11.7%), increasing from $5,834 in 2003-04 to

$8,139 in 2006-07. Corresponding with its small growth in total income, average OUB income had the smallest growth rate (2.8%), increasing from $16,538 in 2003-04 to only $17,974 in 2006-07. Wages and salaries had the largest average income in each year, recording $42,081 in 2006-07.

Graph 1. AVERAGE INCOME, By source-Australia



Graphs 2-4 show regional variation by capital city and balance of state/territory for average annual growth of average income. Graphs are presented for the three largest sources of income: Wages and salary; Investment; and OUB.

Even though all regions experienced growth in Wages and salaries, the average annual growth rates for the capital cities and balance of states/territories were moderate, between 3.8% and 6.2%. The largest average annual growth rate occurred in Western Australia (6.2% in both Perth and Western Australia Balance of state) and the smallest average annual growth rate was in Victoria (3.8% in Melbourne and 3.9% in Victoria Balance of state). Within each state and territory the growth rates were similar, with minimal variations between capital city and balance of state/territory.

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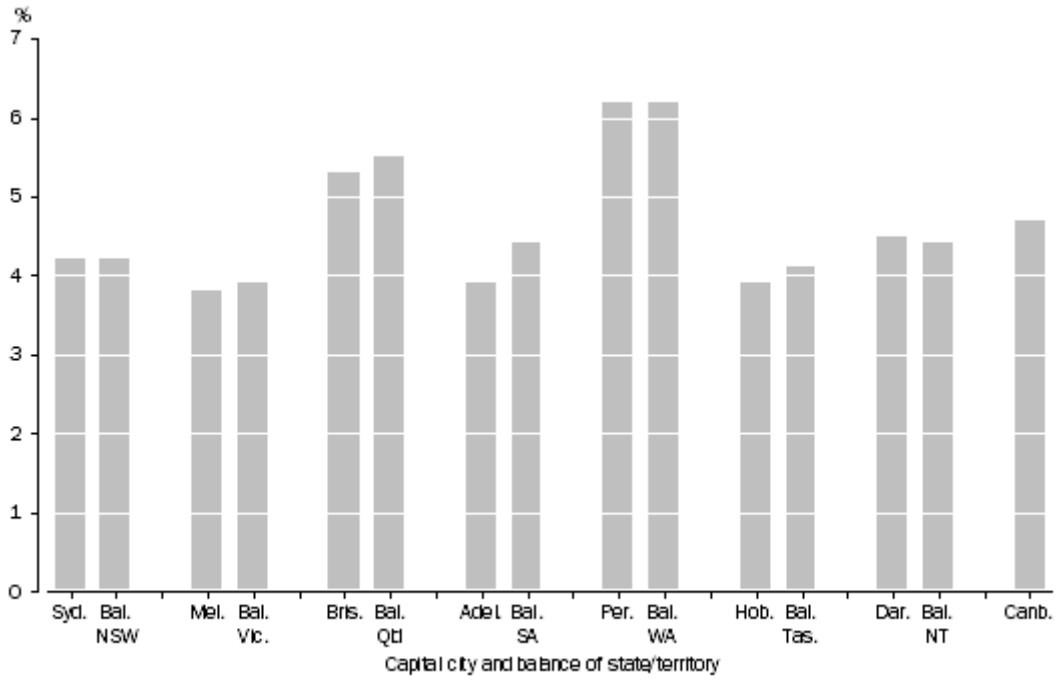
Graph 2. AVERAGE WAGE AND SALARY INCOME, Average annual growth rate-2003-04 to 2006-07



Note: Balance of ACT has been excluded due to the small number of persons earning income in this region.

Average Investment income also grew in all regions. The largest average annual growth rate was recorded in Northern Territory Balance (15.9%). However, the growth in Northern Territory Balance started from a small base of $1,932 in 2003-04 and reached $3,008 in 2006-07, which was below the national average Investment income. Queensland also had large growth in average Investment income, 13.6% in both Brisbane and Queensland Balance.

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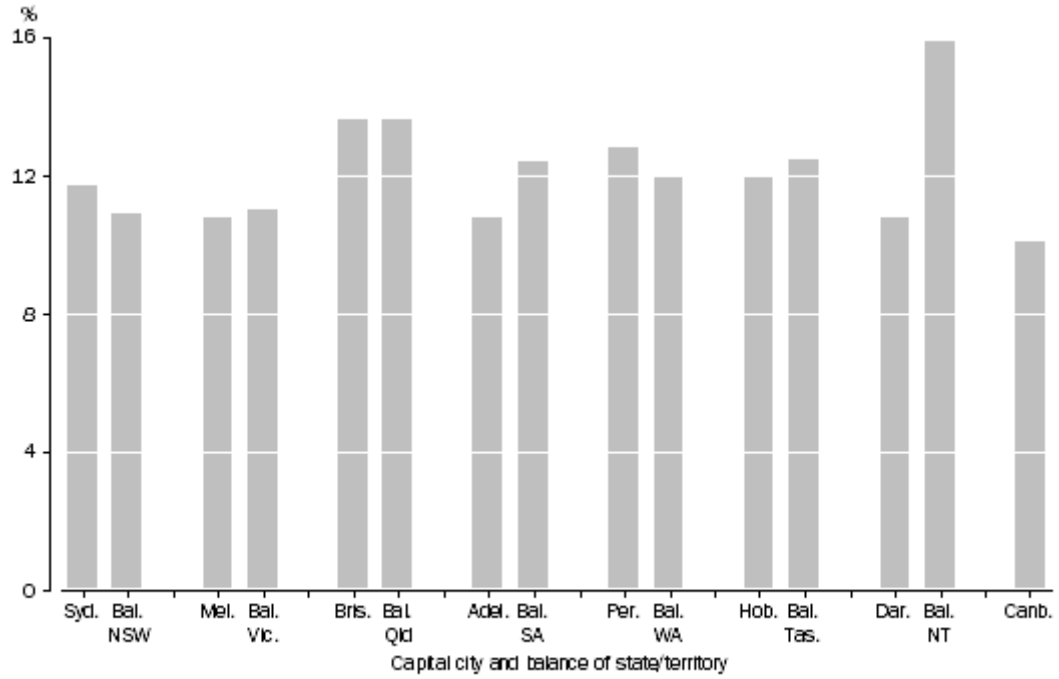
Graph 3. AVERAGE INVESTMENT INCOME, Average annual growth rate-2003-04 to 2006-07

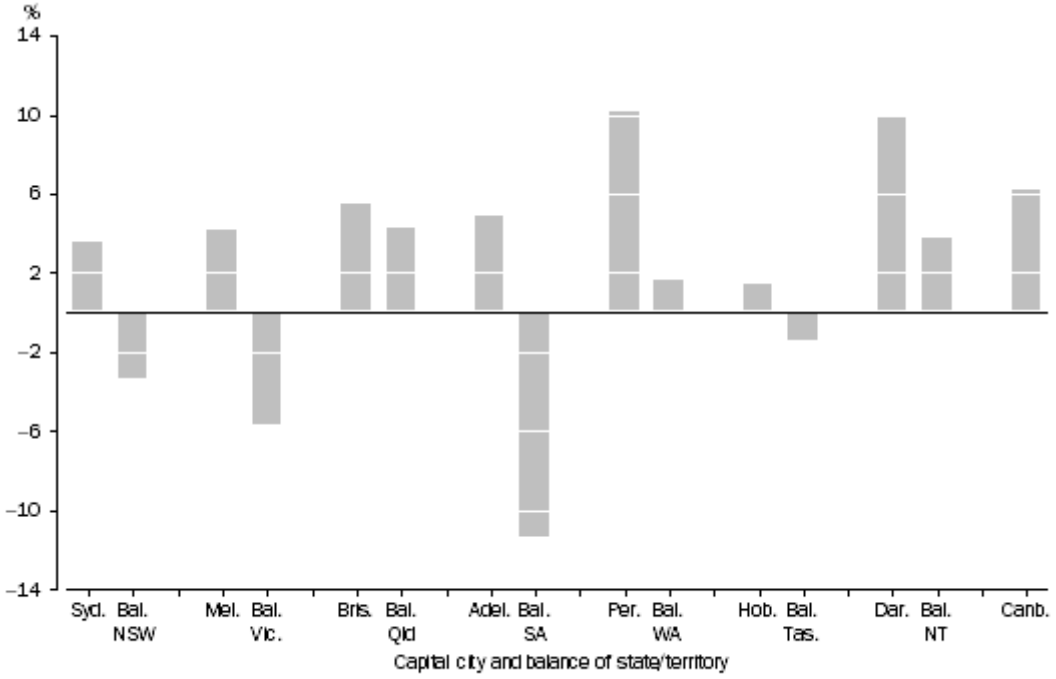


Note: Balance of ACT has been excluded due to the small number of persons earning income in this region.

In contrast to Wages and salaries and Investment, average OUB income did not grow in all

regions (Graph 3). Four state and territories experienced average annual rates of decline in average income outside of their capital cities, and the most significant rate of decline was in South Australia Balance of state (-11.5%). The balances of New South Wales, Victoria and Tasmania also experienced negative growth, with most of the remaining areas outside of the capital cities growing minimally. The largest growth rates in average OUB income occurred in the capital cities, with Perth experiencing the greatest growth with an average annual growth rate of 10.1%. This suggests that the economic conditions affecting OUB in rural areas are different to the cities.

Graph 4. AVERAGE OWN UNINCORPORATED BUSINESS INCOME, Average annual growth rate-2003-04 to 2006-07



Note: Balance of ACT has been excluded due to the small number of persons earning income in this region.

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CHANGE IN OWN UNINCORPORATED BUSINESS INCOME FOR AUSTRALIA, 2003-04 TO 2006-07

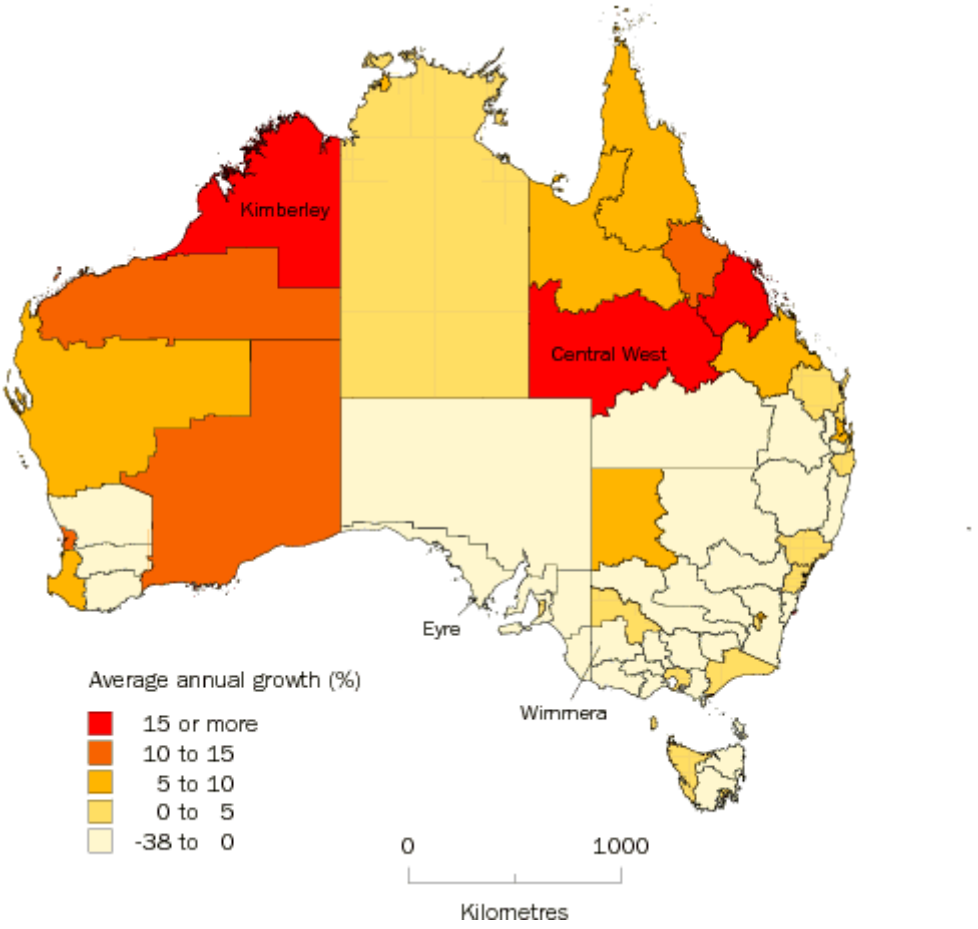
Given significant rates of decline in both total OUB income and average OUB income were identified in a number of regional areas, the following sections explore this. Map 1 presents the average annual growth rates of average OUB income, for Statistical Divisions (SDs) in Australia.

Large average annual growth rates occurred in some capital cities and parts of rural Queensland and Western Australia. High growth rates do not necessarily equate to high incomes, for example Central West in Queensland had a 20.1% average annual growth, but its average OUB income grew to only $15,082 in 2006-07. Some high growth regions did have relatively high incomes, for example Kimberley in Western Australia, with an average annual growth of 20.1%, had an average OUB income of $23,660 in 2006-07.

Areas with negative average annual growth rates were mostly clustered in the rural areas of South Australia, Victoria and New South Wales. These states, excluding their capital cities, experienced the largest negative average growth rates each year for total OUB income and average OUB income. Negative growth rates also occurred in parts of Tasmania and some

areas surrounding Perth. The SDs with the largest negative growth generally had the lowest 2006-07 average OUB incomes. For example Wimmera in Victoria had the largest average annual decline (37.3%), with average OUB income falling from $20,026 in 2003-04 to $4,937 in 2006-07. In South Australia all of the SDs outside of the capital city had negative growth rates of average OUB incomes.

Map 1. AVERAGE OWN UNINCORPORATED BUSINESS INCOME, Average annual growth rate, Statistical divisions-2003-04 to 2006-07



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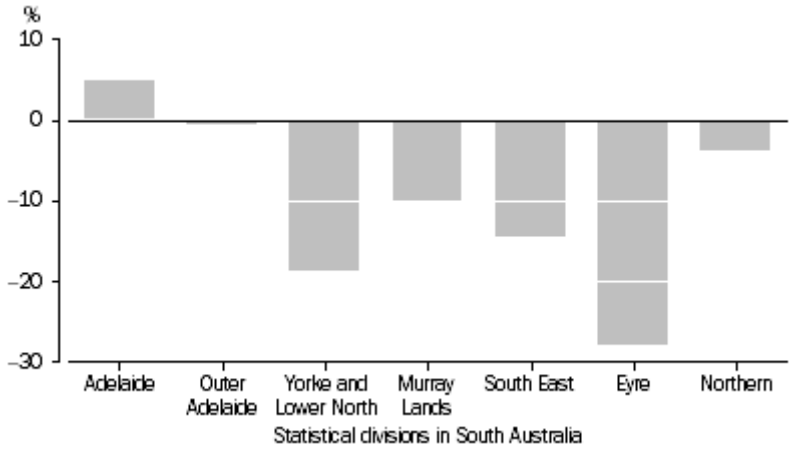
CHANGE IN OWN UNINCORPORATED BUSINESS INCOME FOR SOUTH AUSTRALIA

Given South Australia's high proportion of SDs with negative growth rates, OUB income in South Australian regions is explored further.

Graph 5 shows that Eyre, Yorke and Lower North, and South East SDs had the largest annual average rates of decline in average OUB income in South Australia. These were also some of the largest declines in Australia, with Eyre having the second largest average annual decline (-28.1%), Yorke and Lower North the fourth largest (-18.8%) and South East the eight largest (-14.6%) in Australia. These regions, along with South Australia's other SDs (except for Adelaide and Outer Adelaide) also had negative average annual growth rates of persons earning income from this source.

Graph 5. AVERAGE OWN UNINCORPORATED BUSINESS INCOME, Average annual growth rate-2003-04 to 2006-07



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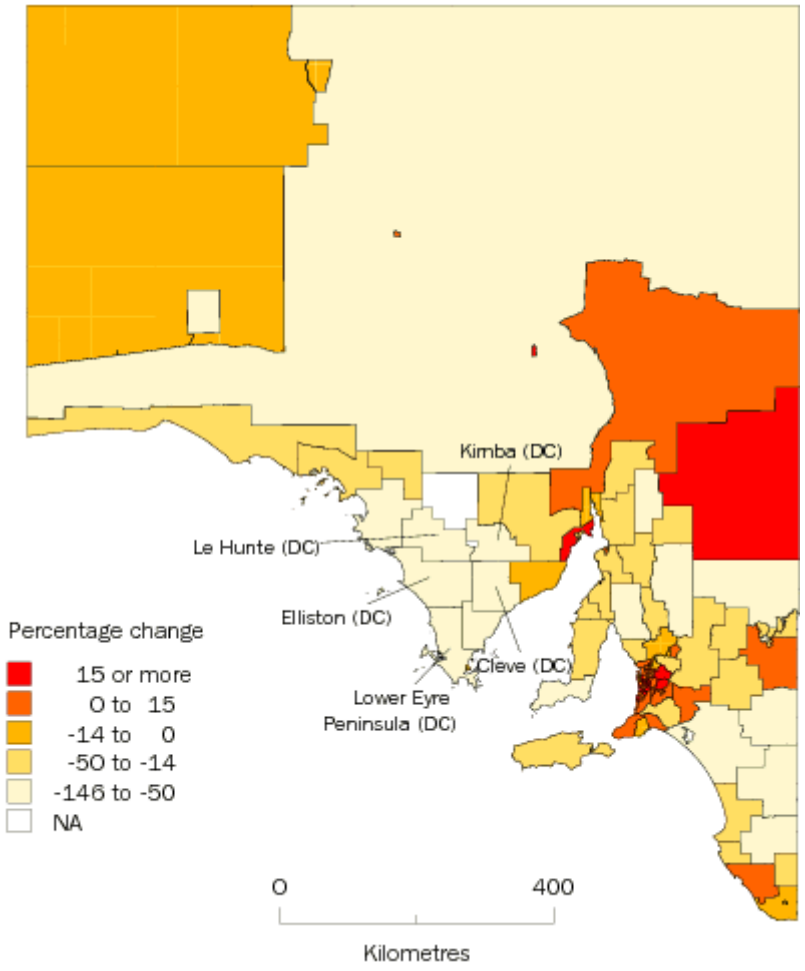
Map 2 shows the percentage change in average OUB income between 2003-04 and 2006-07 for statistical local areas (SLAs) in South Australia. Most of the SLAs within the SDs that experienced large negative average annual growth rates, had large percentage falls in average OUB income.

Map 2. AVERAGE OWN UNINCORPORATED BUSINESS INCOME, Percentage change, Statistical local areas-2003-04 to 2006-07



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CHANGE IN OWN UNINCORPORATED BUSINESS INCOME FOR EYRE PENINSULA, SOUTH AUSTRALIA

As Eyre SD had the largest rate of average annual decline in average OUB income (-28.1%), with average income falling from $24,465 in 2003-04 to $9,112 in 2006-07, the following sections of this article focus on the regions within Eyre to further explore the regional variation.

Within Eyre, the SLAs that experienced the largest declines in average OUB income were in the Lincoln Statistical Subdivision (SSD). Table 4 shows that most of these SLAs recorded their lowest average OUB income in 2005-06, where five out of the eight regions had negative average income. The largest falls in average OUB income were in Kimba (DC) (-$42,569), Le Hunte (DC) (-$35,809), Elliston (DC) (-$30,660), Lower Eyre Peninsula (DC) (-$25,418) and Cleve (DC) (-$19,906). Kimba (DC), Le Hunte (DC) and Elliston (DC) also had the largest declines in Australia from 2003-04 to 2006-07. Persons in the Lincoln SSD earning income from OUB declined by an average of 2.4% each year during this period.

Table 4. AVERAGE OWN UNINCORPORATED BUSINESS INCOME, Statistical local areas(a) - selected statistical sub-divisions

Region	2003-04 $	2004-05 $	2005-06 $	2006-07 $
Lincoln				
Cleve (DC)	22,962	15,042	-7,838	3,056
Elliston (DC)	31,328	19,193	-4,090	668
Franklin Harbour (DC)	17,512	28,469	-2,433	15,344
Kimba (DC)	29,325	10,840	-18,163	-13,244
Le Hunte (DC)	34,040	17,911	-7,764	-1,769
Lower Eyre Peninsula (DC)	34,610	22,971	10,800	9,192
Port Lincoln (C)	20,709	21,823	18,416	19,364
Tumby Bay (DC)	22,760	15,605	4,149	6,851
West Coast				
Ceduna (DC)	13,618	10,706	14,577	10,732
Streaky Bay (DC)	18,787	10,346	6,481	7,097

(a) Excludes statistical local areas with less than 100 persons earning an income from Own unincorporated businesses.

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Most of the SLAs within the Lincoln SSD had a relatively high dependence on agriculture for local employment at the time of the 2006 Census of Population and Housing. In general 17.6% of employed persons aged 15 years and over on the Eyre peninsula were employed in Agriculture. The SLAs with the largest proportions of employed people working in the agriculture industry were Kimba (DC) (44.2%), Elliston (DC) (43.8%) and Le Hunte (DC) (39.1%) (Census of Population and Housing, 2006).

Changes in income may be caused by a range of economic and other factors. In regional areas, incomes may be determined by factors such as agricultural and mining commodity prices, or environmental conditions affecting crop yields. Other data and information may assist in understanding some of the conditions that existed in these regions in this period. One possible factor is the impact of drought on regional areas. A number of regions in South Australia have been declared Exceptional Circumstance regions due to the affect of drought conditions on their incomes (see http://www.pir.sa.gov.au/pirsa/drought/exceptional_circumstances/primary_producers). In recent years this has included the Central Eyre Peninsula and Lower Eyre Peninsula areas which incorporate the SLAs that had the largest declines in average OUB income. In the years 2002 to 2006 before those areas were declared, a number of exceptional events occurred.

For further information about Exceptional Circumstance areas across Australia see the Department of Agriculture, Fisheries and Forestry, <http://www.daff.gov.au/agriculture-food/drought/ec>.

In order to properly consider what is happening to income in a region, one income source cannot be analysed in isolation, and other data such as Estimated Resident Population and Census of Population and Housing data can assist to better understand changes in particular regions. While there were declines in average OUB incomes in most SDs in South Australia during this period, average Wage and salary incomes increased. From 2003-04 to 2006-07 the average annual growth rate of average Wage and salary incomes for the Eyre SD was 4.6%, increasing from $27,624 in 2003-04 to $31,648 in 2006-07.

This area also had an increase in the number of persons earning Wages and salaries, with an average annual growth rate of 0.4%. Persons earning income from this source rose from 13,613 in 2003-04 to 13,769 in 2006-07. At the SLA level, the average Wage and salary income increased on average each year, however, the number of persons in some cases declined. In the Lincoln SSD, the SLAs of Cleve (DC), Elliston (DC), Kimba (DC) and Le Hunte (DC) had negative average annual growth rates in the number of persons with Wage and salary income and also persons with OUB income.

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About this Release

This release contains estimates of the sources and amount of personal income people received for the years 2003-04 to 2006-07, for Statistical Local Areas and other geographies (LGA, SSD, SD, State/Territory and Australia).

Data are provided on the number of individuals and the amount of income received from Wage and salary, Own unincorporated business, Investment, Superannuation and annuities, and Other income (excluding government pensions and allowances). An estimate of total income (excluding government pensions and allowances) is also provided.

The estimates have been compiled using aggregated individual income tax data from the Australian Taxation Office (ATO). The compilation of these data are part of the ABS' program to increase the availability of regional statistics, particularly through the use of administrative data collected by other government agencies. The ABS wishes to acknowledge the invaluable support of the ATO in compiling these statistics.

Explanatory Notes

Explanatory Notes

EXPLANATORY NOTES

INTRODUCTION

1 This release contains estimates of the sources of personal income people received for

each year from 2003-04 to 2006-07. Each of the tables provide a breakdown of total personal income by the following sources - Wage and salary, Own unincorporated business, Investment, Superannuation and annuity, and Other income (excluding Government pensions and allowances).

2 The ABS has previously released estimates for the years 2003-04 to 2005-06, however this issue includes data for those years on a new basis. Changes in this issue include: the definition of Wage and salary income, and counts of individuals. The ABS has obtained data for the years 2003-04 to 2005-06 on this new basis to provide a time series for the years 2003-04 to 2006-07. Users should exercise caution in comparing data in this release with data in previous issues. Refer to the Summary of Changes (Paragraphs 5 to 10) and Appendix for further information about changes to this series.

3 Data is presented at various levels of the Australian Standard Geographical Classification (ASGC), including Statistical Local Areas (SLAs) and Local Government Areas (LGAs), in each state and territory of Australia.

4 These data have been compiled from the Australian Taxation Office's (ATO) Individual Income Tax Return Database and are part of the Australian Bureau of Statistics' (ABS) program to increase the range of regional statistics available, particularly through the use of administrative information collected by other government agencies. The ABS wishes to acknowledge the ATO which provided data used in compiling the statistics presented in this publication.

SUMMARY OF CHANGES

5 Estimates of Personal Income for the years 1995-96 to 2000-01 have previously been released in Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01 (cat. no. 6524.0.55.001). These estimates included data on Government pensions and allowances from the then Australian Government Department of Family and Community Services (FaCS).

6 Further information regarding the estimates for 1995-96 to 2000-01 can be found in Information Paper: Experimental Estimates of Personal Income for Small Areas, Taxation and Income Support Data, 1995-96 to 2000-01 (cat. no. 6524.0).

7 Estimates of Personal Income for the years 2001-02 to 2005-06 have previously been released in Estimates of Personal Income for Small Areas, 2001-02 to 2005-06 (cat. no. 6524.0.55.002). These estimates excluded Government pensions and allowances in Other income and Total income, but included Attributed personal services income in Wages and salaries.

8 Changes in this current release, containing Estimates of Personal Income for the years 2003-04 to 2006-07, include income from Lump sums and Eligible termination payments in Wages and salaries, and counts of individuals for each source of income include individuals with positive or negative net income from that source.

9 The changes can be summarised as:

Release	Reference periods	Government pensions and allowances	Wages and salaries inclusions	Number of individuals

6524.0 and 6524.0.55.001	1995-96 to 2000-01	Included	Gross wage and salary income Allowances, commissions, tips etc.	Individuals with positive net income
6524.0.55.002	2001-02 to 2005-06	Excluded	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income	Individuals with positive net income
6524.0.55.002	2003-04 to 2006-07	Excluded	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income Lump sums Eligible termination payments	Individuals with positive and negative net income

10 These changes, and the impact on the estimates, are discussed in more detail in the Appendix.

CONFIDENTIALITY

11 All individual income tax statistics are provided to the ABS by the ATO in aggregated form only, at the SLA level. Information about individual taxpayers has not been released to the ABS.

12 Prior to being provided to the ABS, the statistics have also been subjected to a confidentiality process that randomly adjusts table cells with small values. This includes altering some small cells to zero. Caution should therefore be exercised in deducing that there are no people in an area with certain types of income and, in general, no reliance should be placed on table cells with small values. The confidentiality process prevents the risk of inadvertently releasing any information that may identify an individual while preserving the overall information value of the statistics.

SCOPE AND COVERAGE

13 The main functions and responsibilities of the Australian Taxation Office are to administer taxation legislation and to collect a wide variety of taxes. The ATO therefore collects data from its reporting population as part of its processes to calculate income tax liability for those persons who are required to lodge an income tax return.

14 The ATO database covers all individuals who submit an individual income tax return and includes persons with income from one or more of a range of sources such as wages and salaries, own business, superannuation and annuity, investments and government pensions, benefits or allowances. The scope of the ATO statistics presented in this release are data items relating to income standards the ABS uses for its income surveys. However the scope of the ATO statistics presented in this release exclude government pensions, benefits or allowances.

Wage and salary income

15 Wages and salaries are the main forms of payments made to employees for their work or services. Wage and salary income, as reported on the income tax return, includes:

- Gross income, as shown on the 'PAYG payment summary - individual non-business',
- Allowances, which may include car, travel or transport allowances, allowances for tools, clothing or laundry and dirt, risk, meal or entertainment allowances,
- Commissions, bonuses, tips, gratuities, consultation fees, honoraria and other payments for services,
- Attributed personal services income,
- Eligible termination payments and
- Lump sums.

Own unincorporated business income

16 Own unincorporated business income includes the following data items on the individual income tax return:

- net income (or loss) from business,
- distributions from partnerships and trusts for primary production activities,
- distributions from partnerships for non-primary production activities and
- net personal services income.

17 The data excludes distributions from trusts for non-primary production activities as this mainly includes income from a range of other activities (mainly investments). It also excludes the income of working directors/owners of incorporated businesses who are classified as employees and consequently their income is included under wage and salary income.

Investment income

18 Investment income includes:

- interest from financial institutions,
- net rent and dividends or distributions (including imputation credits) from an Australian company, corporate unit trust or public trading trust,
- distributions from trusts - non-primary production which mainly includes income from investments with cash management trusts, property trusts, money market trusts, mortgage trusts and unit trusts.

Superannuation and annuity income

19 Superannuation and annuity income includes superannuation and similar pensions and annuities paid by an Australian superannuation fund, a retirement saving account provider, a registered organisation or life assurance company and pensions paid by a fund established for the benefit of Commonwealth, state or territory employees and their dependants. Also included in this category are bonuses from life insurance companies and friendly societies.

Other income (excluding Government pensions and allowances)

20 Other income (excluding Government pensions and allowances) is made up of selected sources of other income reported on the individual income tax return that were not allocated to one of the above categories. In the main these include attributed foreign income and all other income as reported in question 22 (supplementary section) of the 2006-07 income tax return.

21 Government pensions, benefits or allowances are excluded from the scope of this data release and are therefore not included in this source of income category. Estimates from the ABS Survey of Income and Housing (SIH) of the amount of income Australians received from Government pensions and allowances was $56.3 billion in 2003-04 and $62 billion in 2005-06. This accounted for 12.3% of the total income estimate in SIH in 2003-04 and 11.5% in 2005-06.

Counts of individuals

22 Individuals may have income from a number of sources. Net income from a specific source may be positive or negative. For example, an individual may have positive net income from Wages and salaries but negative net income from Investment. The number of individuals for each income source includes all persons with either positive or negative net income from that source.

23 The total number of persons is not presented in this series as individuals may have more than one source of income in a given financial year. Therefore, calculating the sum of the individuals in each income category will overstate the actual total number of persons. For example, an individual could derive income from Wages and salaries, Investment and Own unincorporated business and therefore contribute to the person count in each of these income sources.

DATA CONSIDERATIONS

24 There are several data considerations that users should be aware of when analysing the data. Overall, these are not viewed as being so severe that they would lead to the production of misleading information. Readers are cautioned to be aware of these considerations and take them into account when analysing the results.

25 For the purposes of providing statistical measures for the entire population, the ATO database has some limitations in its coverage. Persons who receive less than the taxable income threshold are not necessarily required to lodge a tax return. This can include persons who derive their income from government pensions and allowances. Consequently, the coverage of low income earners, including people receiving government pensions and allowances is not complete in ATO records. In addition, a number of Commonwealth of Australia government pension, benefit and allowance payments are exempt from income tax and are therefore not required to be included in tax returns.

26 Generally, the ATO considers someone to be an Australian resident for tax purposes if they have either always lived in Australia or have come to Australia to live permanently, have been in Australia for more than half of the financial year (unless their usual home is overseas and they don't intend to live in Australia), have been in Australia continuously for six months or more and for most of that time have been in the one job and living in the same place, or are an overseas student enrolled in a course of study for more than six months duration.

Processing of tax returns

27 The data presented in this publication were compiled before the processing of all income tax returns for any given year may have been completed. Data provided to the ABS by the ATO are from returns processed up to 31 October, 16 months after the end of the financial year. Any returns lodged after this date are not included. Therefore, for 2006-07, returns processed after 31 October 2008 are not included. This also applies for each of the previous three years of data presented in this release, so for 2005-06 data for example, returns processed after 31 October 2007 are not included.

28 Annual revised data is published by the ATO in Taxation Statistics, Personal Tax, Table 7 for selected income items. Although this data is different to the data contained in this release, it can be used to give an indication of the likely change in the number of taxpayers and total income or loss over time as more tax returns are lodged. As an example, Table 1 below shows that for the 2003-04 income year, an additional 3.1% of taxpayers lodged their income tax returns in the twelve months after the initial processing cut off of 31 October 2005. By the 31 October 2008 cut off, 11.5 million tax returns had been processed for the 2003-04 financial year, an increase of 5.2% from the original 2003-04 data. An initial increase of around 3% in the next year was also observed for 2004-05 and 2005-06 data.

Table 1. Comparison of ATO original and revised data, Number of taxpayers

	Income year						
	2003-04		**2004-05**		**2005-06**		**2006-07**
Returns lodged as at	no.	% change from 31 October 2005	no.	% change from 31 October 2006	no.	% change from 31 October 2007	no.
31 October 2005	**10,978,900**						
31 October 2006	11,319,380	3.1	**11,235,995**				
31 October 2007	11,467,335	4.4	11,615,485	3.4	**11,510,960**		
31 October 2008	11,548,165	5.2	11,759,990	4.7	11,891,115	3.3	**11,799,230**

29 Table 2 shows an overall increase in total income as more tax returns are lodged after the initial cut off date. For 2003-04 data, an additional 3.1% of income was reported twelve months after the initial 16 month cut off of 31 October 2005. This increased to $433.4 billion by the 31 October 2008 cut off, a total increase of 4.6% since the original published income estimate.

Table 2. Comparison of ATO original and revised data, Total income or loss

	Income year						
	2003-04		**2004-05**		**2005-06**		**2006-07**
Returns lodged as at	$b	% change from 31 October 2005	$b	% change from 31 October 2006	$b	% change from 31 October 2007	$b
31 October 2005	**414.1**						

31 October 2006	426.8	3.1	**447.4**				
31 October 2007	431.2	4.1	461.6	3.2	**483.1**		
31 October 2008	433.4	4.6	466.2	4.2	498.7	3.2	**533.9**

30 Due to the later lodgement dates for a small portion of tax returns (as shown above) the data provided in this release slightly under-estimates the total taxable income for a given financial year.

Changes in taxation policy

31 The ATO provides information annually in Taxation Statistics on their website about changes that may affect taxation statistics. Changes relating to personal income tax are in each edition of Taxation Statistics.

32 For the income year 2006-07, the following changes were noted in Chapter 2 of Taxation Statistics:

- personal income tax cuts
- the increase in the low income tax offset from $235 in 2005-06 to $600 in 2006-07
- the abolition of the part-year tax-free threshold for individuals who ceased full-time education for the first time
- changes to the tax treatment of foreign income and some capital gains for temporary residents
- an increase in the amount you can claim for contributions to registered political parties, independent candidates and members from $100 to $1,500, and
- the entitlement to claim a tax offset if you have to pay the Medicare levy surcharge as a result of you or your spouse receiving a lump sum payment in arrears.

33 For the income year 2005-06, the following changes were noted in Chapter 2 of Taxation Statistics:

- personal income tax cuts
- the introduction of new measures such as the 30% child care tax rebate, the 25% entrepreneurs' tax offset, transitional incentives to contribute to superannuation, and
- transition to retirement rules - people aged over 55 can now access superannuation benefits without having to retire or leave their job.

34 For the income year 2004-05, the following changes were noted in Chapter 2 of Taxation Statistics:

- personal income tax cuts
- introduction of the mature age worker tax offset - workers aged 55 years and over may be entitled to the offset, based on the amount of income they received from working.

35 For the income year 2003-04, the following change was noted in Chapter 3 of Taxation Statistics:

- the Super Co-contribution, which replaced the superannuation tax offset for personal

superannuation contributions.

COMPARISON WITH OTHER ABS INCOME DATA

36 The ABS Survey of Income and Housing (SIH) collects information on sources of income, amounts received and the characteristics of persons aged 15 years and over resident in private dwellings throughout Australia. The survey was conducted every year from 1994-95 to 1997-98, and then in 1999-2000, 2000-01 and 2002-03. From 2003-04, the survey is being conducted every two years. For further information about the concepts, definitions, methodology and estimation procedures used in the SIH, refer to Survey of Income and Housing, User Guide, 2005-06 (cat. no. 6553.0).

37 Data collected from SIH can be compared to ATO data published in this release for the years 2003-04 and 2005-06. Comparison of these two series can provide a means of assessing trends, establishing whether counts are of an expected magnitude and whether the distribution of income across the various sources is similar.

38 SIH produces estimates of current income as well as estimates of annual income in respect to the previous financial year. Current income refers to income being received at the time the data were collected from respondents. The data used in the following comparison are based on current income estimates as these are thought to provide a better picture of income earners, are more up to date and are generally reported more accurately than previous financial year estimates.

39 Differences exist between the two years of SIH data which should be taken into consideration, most significantly that the 2005-06 SIH was run as a stand alone survey, whereas the 2003-04 SIH was integrated with the Household Expenditure Survey (HES). This may have had an impact on response.

40 Table 3 presents comparable income data items from ATO data contained in this release and SIH data for 2003-04 and 2005-06. SIH estimates for both Wage and salary and Own unincorporated business income were higher than ATO income data in both reference years. Conversely, Investment income from the ATO was significantly higher than SIH data in both reference years, while income from Superannuation and annuities were similar.

Table 3. Comparison of ATO(a) and SIH(b) income data

	2003-04 $b	2005-06 $b
Wage and salary		
ATO	316.9	364.5
SIH	330.1	383.6
Own unincorporated business		
ATO	29.8	31
SIH	31.2	39.4
Investment		
ATO	34.7	44
SIH	22.5	31
Superannuation and annuity		
ATO	11	14.5
SIH	13.2	14.3

(a) ATO data includes data that could not be allocated to a state or territory
(b) SIH data is current estimates rather than previous financial year

41 The differences observed between the two sets of income data are likely to be as a result of different definitions, methodologies and reference periods. For example, the inclusion of imputation credits and distributions from trusts - non-primary production may contribute to the higher estimates observed in the ATO investment data.

42 Overall, these results suggest that the ATO income tax data contained in this release is generally consistent in magnitude with the estimates derived from the ABS Survey of Income and Housing.

STATISTICAL GEOGRAPHY

43 The Australian Standard Geographic Classification (ASGC) is used by the ABS for the collection and dissemination of geographically classified statistics. It is an essential reference for understanding and interpreting the geographic context of statistics published, not only by the ABS but also by other organisations, and its use enables comparability across datasets.

44 ATO data based on postcodes has been converted to data for Local Government Areas (LGA) and Statistical Local Areas (SLA) as defined by the Australian Standard Geographical Classification (ASGC). Boundaries of these regions can change over time and the ABS revises and releases the ASGC annually.

45 Data in this publication for all years are presented on boundaries in Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0).

Geographic concordances

46 The ABS uses geographic concordances to enable the conversion of data from one type of geographic region to another. These geographic concordances are generally used to convert data for 'non-standard areas' to data for standard areas used by the ABS. Geographic concordances (or conversions) are expressed as conversion factors based on population.

47 The geographic identifier on the ATO database is the postcode of the individuals' current home address at the time of completing the tax return. Consequently, postcode to SLA conversion factors have been used by the ATO to concord aggregated postcode data to estimates for Statistical Local Areas. The concordances are based on the Estimated Resident Population. For further information see the detailed main structure of the Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0).

48 The concordance process:

- enables the data to be more easily compared with standard ABS output;
- enables the data to be output for other standard ABS geographic areas such as Statistical Divisions (SD), Statistical Subdivisions (SSD) and Local Government Areas; and
- provides flexibility so that data can be provided for the different regions of interest being studied by users of regional data (which are usually groupings of SLAs and/or LGAs).

49 When analysing concorded data the following limitations of this methodology need to be

taken into account:

- in applying the concordances it is assumed that the particular characteristics of any data item are uniformly distributed across a postcode area. Therefore, concorded data may not truly reflect the distribution of the characteristics of the population. In some cases, where the same postcode is split across two or more SLAs and there are no other contributing postcodes, distinct numerical estimates will be derived but rates or averages will be identical for each SLA (as these will be equivalent to the original rate or average of the contributing postcode);
- the conversion factors are based on total population only but have been applied across all ATO data items, i.e. the number of wage and salary earners, wage and salary income, total income and sex, age and occupation groups;
- some official postcodes (such as PO boxes, etc.) do not correspond to residential areas but may still have been reported under the current home address field on the income tax return. Data for these and other 'invalid' postcodes, such as those due to incorrect reporting or processing errors, have been included in an 'unknown' category for each state and territory and for Australia where the state or territory was not known; and
- concorded figures have been rounded so discrepancies may occur between sums of the component items and totals.

50 While care was taken in producing the concordances the ABS will not guarantee the accuracy of concorded data.

Geographic regions

51 The statistics in this electronic release and accompanying data cubes are presented according to the Australian Standard Geographical Classification (ASGC), 2008. Under this classification, statistical areas are defined as follows:

- **Local Government Areas (LGAs):** These areas are the spatial units which represent the geographical areas of incorporated local government councils. The various types of LGAs are cities (C), NSW local government areas (A), boroughs (B), rural cities (RC), towns (T), shires (S), district councils (DC), municipalities (M), SA regional councils (RegC), Qld regional councils (R) and SA Aboriginal councils (AC).
- **Statistical Local Areas (SLAs):** These geographical areas are in most cases identical with, or have been formed from a division of, whole LGAs. In other cases, they represent unincorporated areas. In aggregate, SLAs cover the whole of a state or territory without gaps or overlaps. In some cases legal LGAs overlap Statistical Subdivision boundaries and therefore comprise two or three SLAs.
- **Statistical Subdivisions (SSDs):** These are of intermediate size, between SLAs and SDs. In aggregate, they cover the whole of Australia without gaps or overlaps. They are defined as socially and economically homogeneous regions characterised by identifiable links between the inhabitants. In the non-urban areas an SSD is characterised by identifiable links between the economic units within the region, under the unifying influence of one or more major towns or cities.
- **Statistical Divisions (SDs):** These consist of one or more SSDs. The divisions are designed to be relatively homogeneous regions characterised by identifiable social and economic units within the region, under the unifying influence of one or more major towns or cities.

52 Further information concerning statistical areas, including information about recent

changes to boundaries, is contained in Australian Standard Geographical Classification (ASGC), 2008 (cat. no. 1216.0). The ASGC also incudes a complete series of maps. SLA maps for all states and territories can be found in Chapter 16 of the publication, or can be accessed individually from the Downloads tab.

AVERAGE ANNUAL GROWTH RATE

53 The average annual growth rate is calculated as a percentage using the formula below, where Y0 is the average income at the start of the period, Yn is the average income at the end of the period, and n is the length of the period (in years) between Y0 and Yn.

$$[(Yn/Y0)^{1/n} -1] \times 100$$

FURTHER INFORMATION

54 For further information about these and other statistics, contact the National Information and Referral Service on 1300 135 070.

Abbreviations

ABBREVIATIONS

A	Area
ABS	Australian Bureau of Statistics
AC	Aboriginal council
ACT	Australian Capital Territory
ASGC	Australian Standard Geographical Classification
ATO	Australian Taxation Office
B	Borough
cat. no.	Catalogue number
C	City
DC	District Council
FaCS	Australian Government Department of Family and Community Services
HES	Household Expenditure Survey
LGA	local government area
M	Municipality
NSW	New South Wales
NT	Northern Territory
PAYG	pay-as-you-go tax
Qld	Queensland
R	Regional Council
RC	Rural City
RegC	Regional Council
S	Shire
S/T	state or territory
SA	South Australia
SD	statistical division
SIH	Survey of Income and Housing
SLA	statistical local area

SSD	statistical subdivision
T	Town
Tas.	Tasmania
Vic.	Victoria
WA	Western Australia

Changes to this series (Appendix)

APPENDIX

1 This appendix outlines the changes that have been made to the data included in the *Estimates of Personal Income for Small Areas* series from the release of 2006-07 data. It provides a comparison between the current data and previously released data for this series to examine the impact of these changes. The changes that have been made to the current data are to the definition of Wage and salary income and to the counts of individuals.

2 While these changes have not had a significant impact on Wage and salary income at the Australia level, there are significant differences in the counts of individuals receiving income from Own unincorporated business and Investment.

Wages and salaries

3 There have been several changes to the items included in Wages and salaries since this series was first released. In this release, Lump sums and Eligible termination payments have been included in Wage and salary income for the first time. This has been updated to align with the changed definition of Wage and salary income in the ABS income standards. For more information on income standards, refer to the Explanatory Notes of Household Income and Income Distribution, Australia, 2007-08 (cat. no. 6523.0). Users should exercise caution in comparing Wage and salary data for 2003-04 to 2005-06 that is contained in previous issues of this release. Table 1 outlines the changes that have been made to Wage and salary income:

Table 1. Changes to the definition of Wage and salary income

Release	Reference periods	Wages and salaries inclusions
6524.0 and 6524.0.55.001	1995-96 to 2000-01	Gross wage and salary income Allowances, commissions, tips etc.
6524.0.55.002	2001-02 to 2005-06	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income
6524.0.55.002	2003-04 to 2006-07	Gross wage and salary income Allowances, commissions, tips etc. Attributed personal services income Lump sums Eligible termination payments

4 Table 2 compares previously published Wage and salary earners data to the current data for the years 2003-04 to 2005-06. At the Australia level, the inclusion of Lump sums and Eligible termination payments has resulted in an increase in the number of Wage and salary earners, total Wage and salary income and average Wage and salary income by one to two per cent in each reference year.

Table 2. Comparison of Wage and salary data, new and former bases

	number of persons				wage and salary income ($m)				average wage and salary income ($)			
	new basis	former basis	difference	%	new basis	former basis	difference	%	new basis	former basis	difference	%
2003-04	8,591,299	8,509,178	82,121	0.97	316,924.6	310,248.8	6,675.8	2.15	36,889	36,460	429	1.18
2004-05	8,821,514	8,736,412	85,102	0.97	340,571.0	333,399.4	7,171.6	2.15	38,607	38,162	445	1.17
2005-06	9,050,233	8,939,749	110,484	1.24	364,504.9	355,868.0	8,636.9	2.43	40,276	39,807	469	1.18

5 While these differences are not large at the Australia level, users should not assume that all differences between the two series are similarly small at the regional level. For example, it is possible that business closures may impact to a greater or lesser extent on specific regions (for example, where businesses provide significant employment in regional communities).

Counts of individuals

6 It is possible for an individual to receive income from several sources and for one or more of these to be negative net income. For example, an individual may have Wage and salary income and negative net income from Investment. In this release, the number of individuals shown for each income category includes individuals who had a net negative income, whereas in previous releases only those with a net positive income were counted. This change in the way individuals are counted allows the calculation of average incomes for each source of income. These data show that for the period 2003-04 to 2006-07, Own unincorporated business and Investment income were the only sources of income to record a negative income for the financial year in some regions. Users should exercise caution in comparing data for the number of individuals that is contained in previous issues of this release since the counting rules differed.

7 Table 3 compares previously published data for the number of persons earning income from Own unincorporated business, where only persons with positive income were included, to the current data, which includes individuals who had a net negative income. At the Australia level, this change has resulted in a significant increase in the number of persons in the Own unincorporated business income category for each reference year, ranging from 28.8% in 2003-04 to 32.3% in 2005-06.

Table 3. Comparison of Own unincorporated business earners, new and former bases

	number of persons			
	new basis	former basis	difference	%
2003-04	1,799,888	1,397,314	402,574	28.81
2004-05	1,807,275	1,387,125	420,150	30.29
2005-06	1,825,543	1,379,661	445,882	32.32

8 Table 4 compares the number of persons earning Investment income in previously published data to the current data. As seen with Own unincorporated business, the number of individuals included in this income category has increased significantly as a result of including persons earning net negative income from this source. Person counts in the current data are between fifteen and sixteen per cent higher than previously released data for each reference year.

Table 4. Comparison of Investment earners, new and former bases

	number of persons			
	new basis	former basis	difference	%
2003-04	5,945,933	5,154,972	790,961	15.34
2004-05	6,240,460	5,406,656	833,804	15.42
2005-06	6,262,537	5,377,511	885,026	16.46